Global
Outlook

MB Securities

Global Economic Outlook

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GLOBAL ECONOMIC OUTLOOK

Highlights:

OPEC+'s agreement to delay the production increase pushed oil price. The group agreed to only increase production by 500,000 bpd instead of 2.5 million bpd per last deal. Brent oil price climbed above USD 50/barrel for the first time since March 2020.

Rate of job growth in the US has slowed down in November due to Covid-19 hitting all over the country. However, the holiday season will create demand for seasonal jobs, dragging the unemployment rate further.

China's exports in November increased 21.1% yoy, the fastest rate in the last few years. The net export figures reached USD 75.4bn, a 30% increase compared to the previous month and a near 100% higher than the November 2019 level.

Global central banks still maintain the viewpoint to support quantitative easing. The Fed want to extend lending programs that expire by the end of this year to 2021. ECB committed to spend an addition of USD 500bn to purchase member countries' governments bonds and provide funding to banks at negative rates till 2022.

The prospect of a stimulus package from the US government before 2020 ends is getting brighter when a USD 706bn proposal from a group of bipartisan lawmakers is being discussed and supported from both Republican and Democratic congressmen.

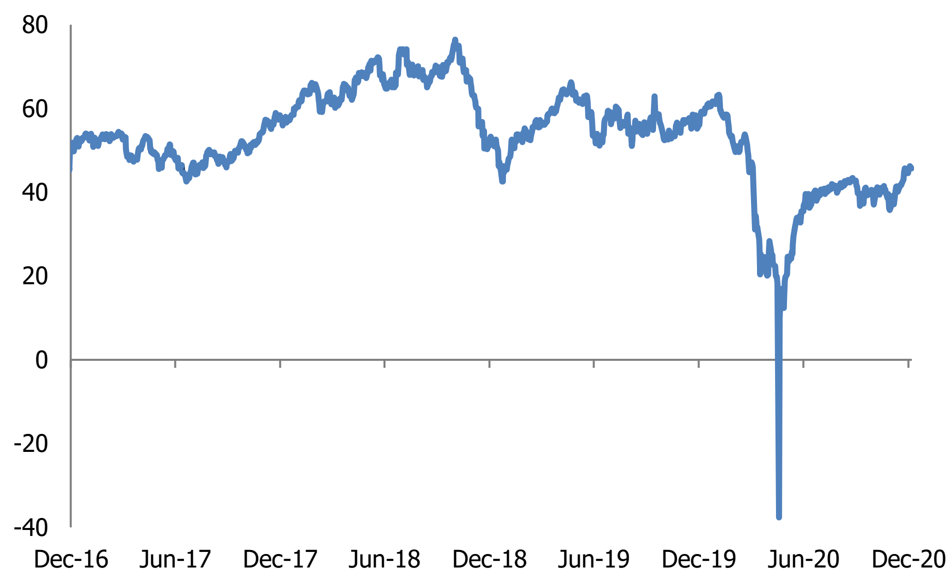
World Economic Outlook

Oil Market

Oil prices are on the rise again after OPEC+ reached an agreement to delay loosening the output cut. Accordingly, this group will increase production by 500,000 bpd by January 2021 instead of 2.5 million bpd as agreed earlier, and ministers will hold monthly meetings to decide on the next steps. This agreement helps OPEC+ to avoid disagreements after the relationship between Saudi Arabia and the UAE has been rifted recently. WTI oil price is around USD 45-47/barrel while Brent oil price has passed USD 50/ barrel for the first time since March 2020.

As the price of oil rises, efforts to cut production will be in trouble because the oil exporting countries all want to increase production, offset the huge economic losses this year. This new agreement by OPEC + will give its members certain assurance about the stability of the market. In addition, the increase in oil prices also reflects optimism that oil demand will increase again after the Covid-19 vaccine is widely distributed.

WTI oil price (USD/barrel)



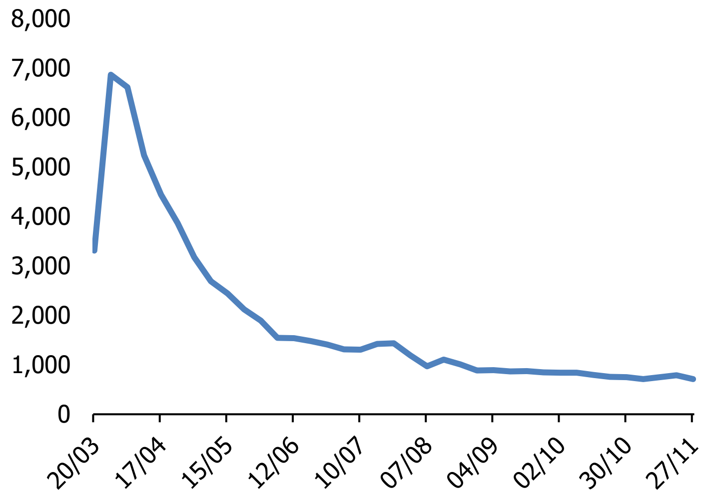
Source: Bloomberg.

Labor Market

The recovery of the US labor market is losing momentum with the current outbreak of Covid-19 across the country. Currently, the US has a daily average of over 200,000 new infections. Therefore, in November, the number of new jobs created was only 245,000 and the unemployment rate decreased slightly from 6.9% to 6.7%, much lower than the decrease rate of previous months. At the same time, data from the US Department of Labor shows that 400,000 people left the labor force last month, reducing the labor market participation rate from 61.7% to 61.5%.

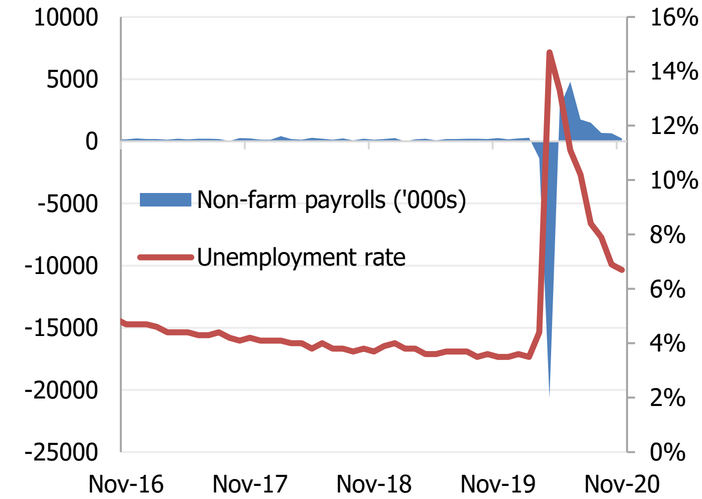
Although the job situation is not so good, we expect this will be the driving force that enable policies to support the labor market to be launched by the government, ensuring social security for the people. We also anticipate a faster recovery in the job market in December, with the peak season of shopping in preparation for Christmas and New Year, more seasonal jobs will push unemployment rate down to around 6.3-6.5%.

Initial weekly jobless claims in the U.S. ('000)



Source: Bloomberg.

US unemployment rate and non farm payrolls



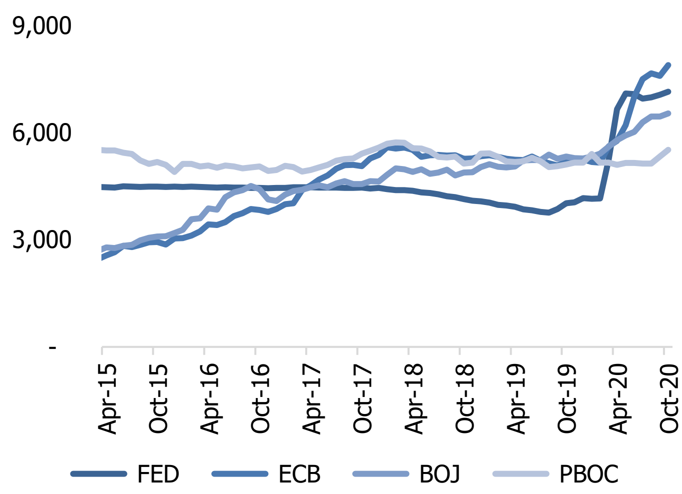
Source: Bloomberg.

Manufacturing and consumption

The Covid-19 epidemic once again swept Europe and the US, causing countries to limit production and business activities and some nations issued a second lockdown order in November. Thus, the recovery has slowed down. Manufacturing PMI of Eurozone, US both decreased slightly in November but remained above 50, meaning an expansion in production. In major economies, only Japan has yet to bring its PMI index above 50 since the outbreak of Covid-19.

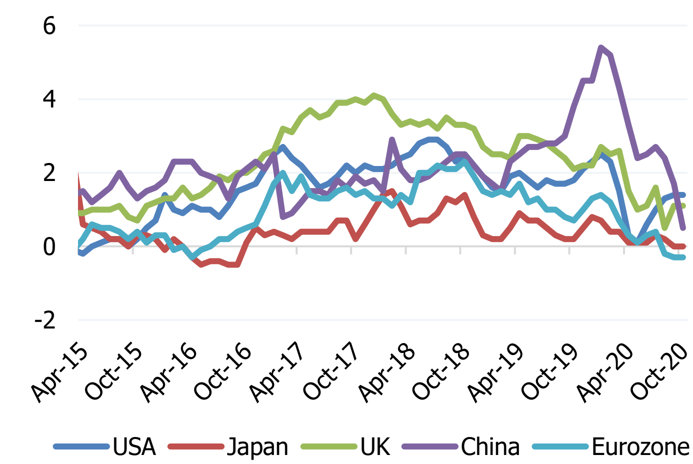
Although central banks have continuously pumped money into the market, the lockdown means that consumer demand has decreased, dragging the inflation rate down. Eurozone and Japan continue to experience deflation. The supply of pork in China increased again, bringing the price of pork to a stable level, helping the inflation in China to decrease significantly in recent months. China's CPI in October only increased by 0.5% over the same period last year.

Total assets on major CB's balance sheets (USD bn)



Source: Bloomberg.

Inflation rate (% yoy) in major economies



Source: Bloomberg.

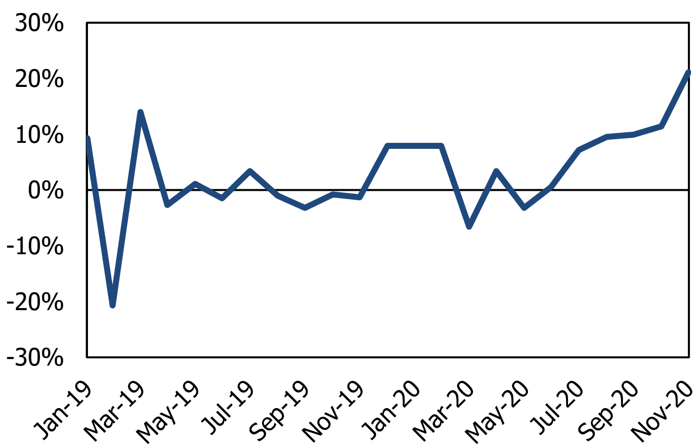
Trade

China's exports grew at their fastest pace this year in November, pushing the country's monthly level trade surplus to a record high of $ 75.4 billion. Exports in dollar terms increased by 21.1% over the same period last year, the fastest rate since February 2018. China's export activities in the past 6 months have continuously increased and the October turnover has hit a 19-month high with a trade surplus of 58.4 billion USD.

When the global economy recovers, the demand for Chinese goods is likely to increase further, pushing export value to new records. However, we also note that many pandemic-related exports such as personal protective equipment and electronic devices will no longer retain their current turnover. In addition, the strengthening of the yuan also makes Chinese goods less attractive. Since the beginning of 2020, the RMB has appreciated about 5% against the USD.

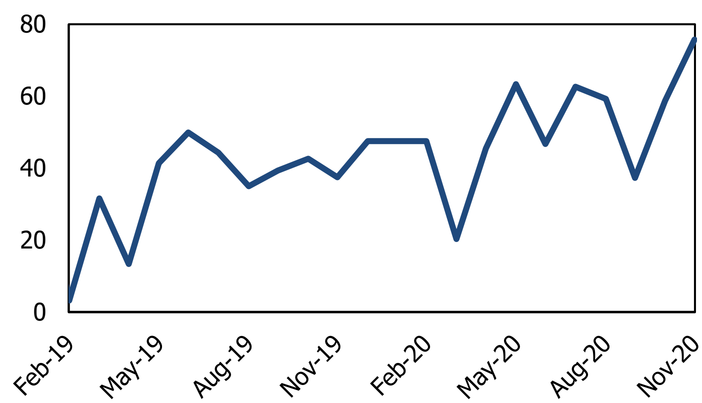
In Europe, the UK government is negotiating Brexit deals with the EU before officially leaving the European Union later this year. Earlier this year, the UK officially activated Article 50 to begin the process of leaving the EU and planned to spend the transition period of 2020 to prepare the terms. However, translation of Covid-19 has hindered this process and at present the UK is looking to change its commitment. Meanwhile, Brussels wants Prime Minister Boris Johnson's administration to honor the original commitment. If there is no agreement, the UK will leave the EU without a deal (no deal Brexit).

China's export growth yoy



Source: Bloomberg

China's monthly net exports (USD bn)



Source: Bloomberg

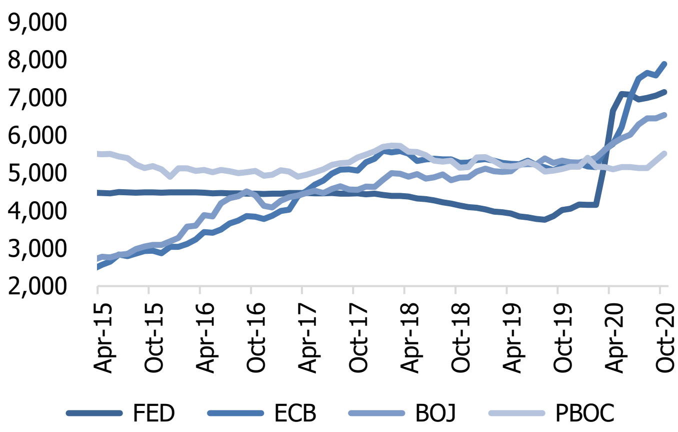
Policies

Monetary policy

Since the outbreak of Covid-19, the Fed has launched a number of emergency lending programs to support liquidity in the financial markets. By the end of this year, most of these programs will expire. The Treasury Secretary Steve Mnuchin is urging the Fed to stop these packages to allocate resources to other sectors. The budget that the federal government gives the Fed for lending programs is USD 455bn. If the programs are stopped at Mnuchin's request, the Fed will have to return the money to the federal government. Fed Chairman Jerome Powell continues to emphasize the need for the loan programs that the Fed has been implementing since the beginning of the year and wishes to extend them into 2021.

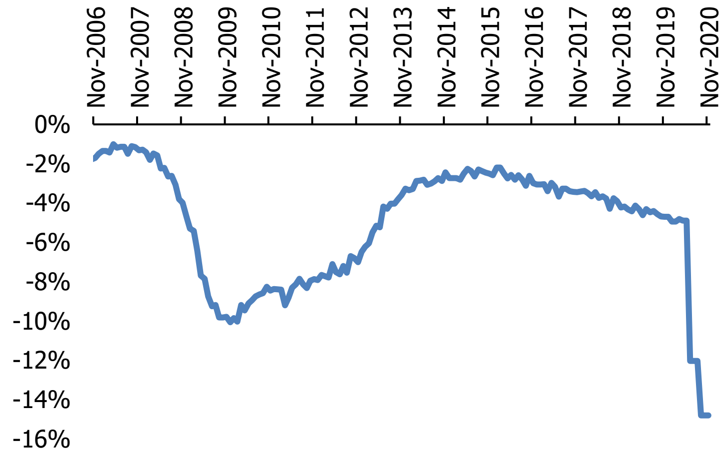
In Europe, the ECB has launched another stimulus package to help Eurozone economies recover from the pandemic, promising to buy €500bn more bonds over a longer period and providing extra cheap funding for banks. The ECB increased the size of its pandemic emergency purchase programme (PEPP) from EUR 1.35tn to EUR 1.85tn and pushed back the end of its main crisis-fighting tool from next June until at least March 2022, while reinvesting any proceeds until at least the end of 2023. At the same time, ECB also extended the time to lend banks at negative interest rates as low as 1% to maintain credit flows.

Total assets on major CB's balance sheets (USD bn)



Source: Bloomberg.

US budget deficit (%GDP)



Source: Bloomberg.

Fiscal Policy

The prospect of a fiscal aid package launched before the end of this year is getting brighter as senior Republicans accept a USD 908bn proposal by some lawmakers from both parties.

This support package is proposed by the politicians of both parties, so there will be certain compromises. The content includes support for state and local governments, something Republicans have been protesting in the past, and direct supports to businesses, something some Democrats consider a double-edged sword. The leaders of the Democrats at Congress know that the package is far from their USD 2.6tn expectations, but in a short time it is sufficient to support the spending they need.

There are still some key people who have not yet supported the proposal, such as Senate Republican Leader Mitch McConnell, who only wants to propose a USD 500bn package or President Donald Trump, who is about to leave office. The gloomy job market is likely to be the driving force behind a support package to be released as quickly as possible.

In recent months, the US congressional bipartisan and the Trump administration have not agreed to a new package of support after the rescue package worth $ 2.2tn under the CARES Act was passed earlier this year, helping to support the US economy when the Covid-19 pandemic sweeping the country. This support package includes loans and grants for small businesses, USD 1,200 payment for most Americans, unemployment benefits. However, by this point most of the grant has expired.

Economic indicators of selected countries

Countries	GDP (% yoy)		CPI (% yoy)		Unemployment rate (%)	
	Latest		Latest		Latest	
US	-2.9	Q3	1.2	Nov	6.7	Nov
EU	-3.9	Q3	-0.3	Nov	8.4	Oct
Germany	-4.3	Q3	-0.3	Nov	4.5	Oct
France	-3.9	Q3	0.2	Nov	9	Sep

Italy	-5	Q3	-0.2	Nov	9.8	Oct
Spain	-8.7	Q3	-0.8	Nov	16.3	Sep
UK	-9.6	Q3	0.7	Oct	4.8	Sep
Japan	-5.8	Q3	-0.4	Oct	3.1	Oct
China	4.9	Q3	-0.5	Nov	5.3	Oct
Russia	-3.6	Q3	4.4	Nov	6.3	Oct

Source: OECD, MBS summarized.

Economic indicators forecast of selected countries

Countries	GDP (% yoy)		CPI (% yoy)		Unemployment rate (%)	
	2019	2020F	2019	2020F	2019	2020F
US	2.3	-4.3	1.8	2.1	3.7	6.5
EU	1.2	-8.3	1.2	0.1	7.7	8.3
Germany	0.6	-6.0	1.3	0.3	3.2	4.3
France	1.3	-9.8	1.3	-0.5	8.6	8.8
Italy	0.3	-10.6	0.6	0.1	10.3	11.0
Spain	2.0	-12.8	0.7	-0.3	14.1	16.5
UK	1.4	-9.8	1.8	0.4	3.8	5.4
Japan	0.7	-5.3	1.6	-0.6	2.4	3.3
China	6.1	1.2	2.2	1.4	3.6	5.4
World	2.9	-4.4	3.5			

Source: OECD, IMF, MBS tổng hợp.

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